# Diverse Options
# Singular Consistency

HSBC Mutual Fund

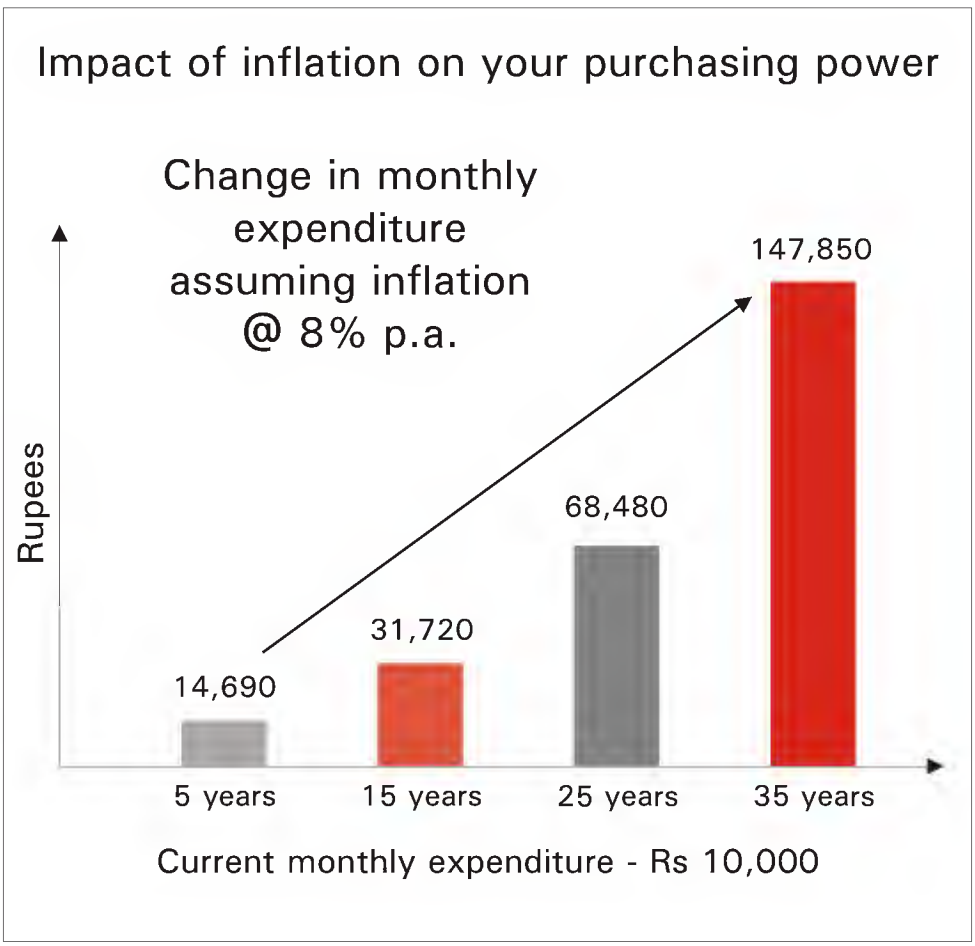
## Give your dreams a chance to come true

All of us aspire for enough wealth to be able to finance at least some of our dreams. Giving our family the very best, educating our children, indulging in a hobby - things that can make our lives more rewarding. One of the best chances of doing so is by investing wisely and regularly today.

There are many asset types that one can invest in ranging from Real Estate to Gold to Commodities to Equity to Bullion. Each asset type has certain risk-return characteristics which makes one more suitable than the other. But a fundamental consideration when investing must be to increase wealth. To achieve this any investment must beat inflation.

## Impact of inflation on your wealth

Simply put, inflation is the impact of price increases on your purchasing power. We all know that as prices rise the same amount of money buys us fewer goods and services. If you get a return of 10% from your investment and inflation is 8% then the real return you have made is only 2% and is therefore unlikely to enable you to achieve your goals. This impact can be significant over time and can prevent you from achieving your financial objectives.

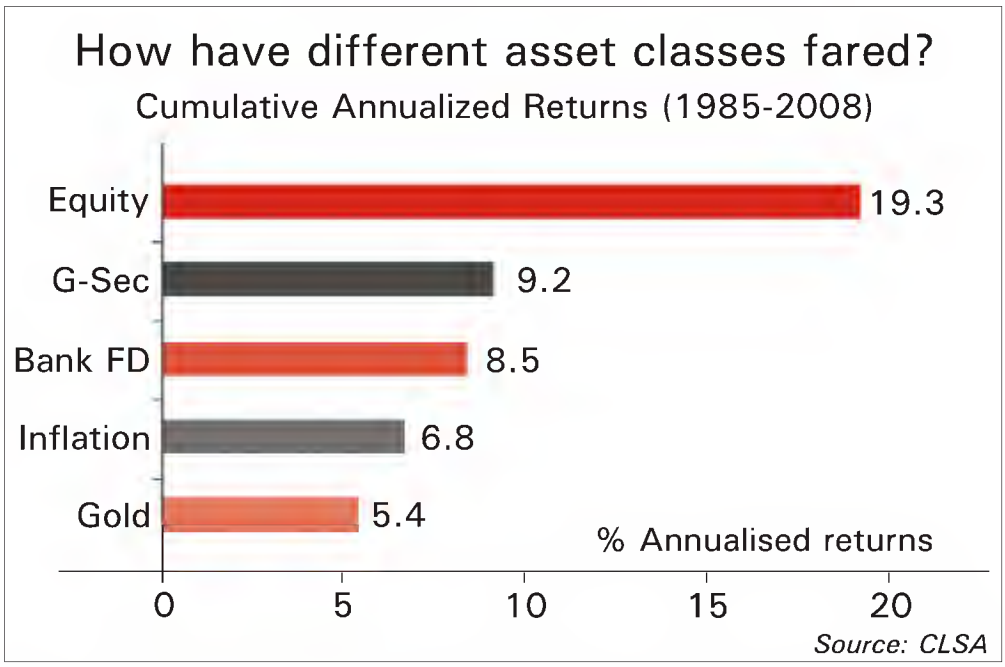


## Need for asset allocation

When investing for long-term goals, it is usually advisable to diversify investments across various asset types. An ideal asset allocation is one that best balances an investor's profile and risk appetite with his objectives. Asset allocation primarily governs the returns generated from a portfolio of investments whilst spreading risk. It is therefore essential that an appropriate asset mix is selected when planning your investments.

## How should you plan to beat inflation today? Where should you invest for the long term? Why equity?

Studies show that equity and equity-linked instruments tend to outperform most other forms of investment in the long term. Equity tends to form a core component of most portfolios and is a fundamental driver of returns. Equity also consistently beats inflation in the long run. Hence you should look at investing some portion of your money in equity with an aim to meet future goals. Equity as an asset class gives you an opportunity to create significant wealth over a period of time even though it might be volatile over a shorter duration.




*As on 28 March 2008. Data for inflation is from 1990 and for G-Secs is from 1997.*

## How can you invest in equity? What types of equity funds are available today?

One of the most popular means of investing in equity markets is through mutual funds. Today a plethora of mutual fund options are available but most of them can be broadly classified as:

**Market cap biased funds** – Many equity funds available for purchase in India usually have a bias towards the size of companies that they invest in. Accordingly these are classified as large cap, mid cap or small cap funds. As the names suggest, these funds tend to invest in large, mid or small sized companies respectively.

**Sectoral funds** – These are equity funds that tend to invest in one or two specific sectors such as banking, IT, media, etc.

**Thematic funds** – Equity funds that tend to invest in one or two specific themes are called thematic funds. Common investment themes in India are Outsourcing, Consumption, Infrastructure, and Power & Energy.

**Diversified funds** – Equity funds that do not have a sectoral or thematic bias are called diversified funds. Diversified funds tend to invest in a spread of companies across sectors although they can have a market cap bias.

**Tax Saving funds** – These are usually diversified equity funds that are eligible for tax benefit under section 80C of the Income Tax Act. Investments in these funds have a minimum lock in period of 3 years.

**International funds** – Many international funds are now available to Indian investors. These allow investors to gain exposure to international equity markets, at times, in addition to some exposure to the domestic market.

# Equity Funds from HSBC Mutual Fund

Depending on your individual needs and portfolio construction, one or more of these funds may be suitable for you. Please consult a certified financial advisor for your specific requirements.

## HSBC Equity Fund

Seeks to generate long-term capital growth by predominantly investing in a diversified range of large and mid sized companies. The fund ensures that your money is spread across a variety of stocks and sectors so that risk is controlled.

*Fund bias* – Diversified large cap

*Asset Allocation* – 65-100% in equity & equity related securities; 0-35% in debt and money market instruments (including cash & cash equivalents)

## HSBC Midcap Equity Fund

Seeks to generate long-term capital growth from an actively managed portfolio of equity and equity related securities, primarily being mid cap stocks. However, it could move a significant portion of its assets towards fixed income securities if the fund manager becomes cautious or negative on the Indian equity markets.

*Fund bias* – Diversified mid cap

*Asset Allocation* – Normally 65-100% in equity & equity related securities of companies with market cap of Rs 75 crores or more but not exceeding the market cap of the largest company in the BSE Midcap Index at the point of investment*; 0-35% in other equity; 0-35% in debt and money market instruments

** on a full market capitalisation basis*

## HSBC Small Cap Fund

Seeks to provide long-term capital appreciation by investing primarily in a diversified portfolio of stocks of small cap companies.

*Fund bias* – Diversified small cap (close ended)

*Asset Allocation* – 65–100% in equity & equity related instruments of small cap companies#; 0-35% in equity & equity related instruments of companies other than small cap companies; 0-35% in debt & money market instruments

*#Small cap companies are companies with market capitalisation which is 1) lower than or equal to the market capitalisation of the stock with the largest market capitalisation in the BSE Small Cap Index and 2) higher than or equal to the market capitalisation of the stock with the smallest market capitalisation in the BSE Small Cap Index.*

## HSBC India Opportunities Fund

Seeks long-term capital growth through investments in equities and fixed income securities. The fund will invest across all market capitalisations, including small, mid and large cap stocks. The fund aims to be predominantly invested in equities and equity related securities. However, it could move a significant portion of its assets towards fixed income securities if it becomes negative on equity markets.

*Fund bias* – Diversified flexi cap (has flexibility to invest in stocks of companies of varying sizes including large, mid and small cap stocks)

*Asset Allocation* – 65-100% in equity & equity related securities; 0-35% in debt and money market instruments (including cash & cash equivalents)

## HSBC Dynamic Fund

Seeks to capitalise on the potential upside in equity markets, and yet attempts to limit the downside risk by the active use of money market instruments and derivatives. The fund aims to normally invest in equity but can react quickly to a negative market by moving 100% of its assets into money market instruments, fixed income securities and derivatives (in the event that the fund manager is bearish on the market) with an aim to cushion the downside.

*Fund bias* – Diversified flexi cap

*Asset Allocation* – 0-100% equity; 0-100% in debt and money market instruments

## HSBC Advantage India Fund

This is a flexi-theme equity fund that seeks to generate long term capital growth by investing primarily in themes that play an important role in, and/or benefit from India's progress, reform process and economic development. The Fund will seek to predominantly invest in one or more themes that, according to the Fund Manager, will drive India's growth story at a given point in time. The Fund Manager will be flexible in changing the theme based on changing market conditions and economic factors. Key focus areas for HSBC Advantage India Fund could be Infrastructure, Consumption, Outsourcing, Globally Competitive sectors & Reforms.

*Fund bias* – Flexi thematic (with flexibility to change themes based on changing market conditions)

*Asset Allocation* – 65-100% in equity & equity related securities; 0-35% in debt and money market instruments (including cash & money at call)

## HSBC Unique Opportunities Fund

HSBC Unique Opportunities Fund is a close-ended equity fund (with automatic conversion into an open-ended fund at the end of 3 years from the date of allotment) that intends to invest in stocks of companies facing certain 'out-of-ordinary' conditions but have potential for long term growth. 'Out-of-ordinary' situations are those that are usually non-recurring and outside the ordinary course of business. These may include one or more of the following:

- Turn around/Recovery situations
- Financial restructurings, distressed debt situations, etc.
- M&As/Divestitures/Spin-offs
- Out-of-favour industries/sectors
- Employee/Management buyouts
- New product/Business launches
- Asset plays (companies selling at significant discount to intrinsic value)
- Unrecognised growth potential
- Companies likely to benefit from some change in the economy, industry transformation, new laws/ regulations/technology

*Fund bias* – Thematic (close ended)

*Asset Allocation* – 65-100% equity & equity related securities; 0-35% in debt and money market instruments (including cash & cash equivalents)

## HSBC Tax Saver Equity Fund

HSBC Tax Saver Equity Fund is an open-ended equity linked savings scheme (ELSS) that aims to provide long term capital appreciation by investing in a diversified portfolio of equity and equity related securities across various sectors and industries whilst providing Sec 80C benefits. The Fund has a lock in period of 3 years.

*Fund bias* – Diversified tax saving fund

*Asset Allocation* – 80-100% equity & equity related securities; 0-20% in debt, money market instruments & cash

## HSBC Emerging Markets Fund

HSBC Emerging Markets Fund is an open-ended equity scheme that seeks to provide long-term capital growth by investing in emerging economies the world over. The fund invests both within and outside India, in equity and equity related instruments, share classes and units/securities issued by overseas mutual funds or unit trusts. Outside India, the fund would focus on emerging economies such as Brazil, South Africa, China, Russia, etc. The fund may also invest a limited proportion in domestic debt and money market instruments.

*Fund bias* - Diversified Emerging Markets fund

*Asset Allocation* - 80-100% units/securities issued by overseas mutual funds or unit trusts of emerging markets*; 0-20% domestic debt, money market instruments (including CBLO & reverse repo) and units of domestic mutual funds.

** Currently HSBC GEM Equity Fund is envisaged to be used for investing in the emerging markets. However HSBC Emerging Markets Fund could use any other global fund of the HSBC Group to invest in emerging markets.*

## Why HSBC Mutual Fund?

### Reputation and Financial Strength

Founded in 1865, HSBC is one of the largest banking and financial services organisations in the world with banking and insurance businesses across five continents and over 143 years of experience. HSBC serves 128 million customers from more than 10,000 offices in 83 countries and territories. An established reputation for stability, integrity and sound financial management has made HSBC a household name worthy of trust.

### Focussed Investment Expertise

Investment professionals in each location are responsible for industry, sector and stock selection decisions. These experts are close to the market, speak the local language and have an intimate understanding of the local business environment.

### Risk Controls to Enhance Safety of Investments

We champion global best practices in all aspects of our operations, including managing risk. We control operational and documentation risks, investment risks, reputation risks, credit risks and market risks - across the business in an independent and holistic way for all our clients.

### Client Service Commitment

We have dedicated call centres to attend to our customer's needs. Our client service commitment extends beyond the provision of accomplished investment management. It also embraces innovative product development, committed after sales service and access to our first-hand expertise of markets.

### Transparency

We promote transparency using technology and the full range of available media to achieve clear, open and appropriate communication with our investors.

### Leading Thinking

We offer 'leading thinking' by investing in and recruiting the most talented people across our business to deliver creative and thoughtful solutions to the advantage of our clients.

### Unique Equity Investment Process

HSBC Mutual Fund possesses substantial experience and expertise in managing equities-based portfolios. Equity funds from HSBC are 'business cycle, relative value' funds, adopting neither a pure 'value' nor a pure growth' approach. Instead, the approach, in pursuit of consistent performance, is an adaptation of the prevailing economic conditions at the time.

For more information: sms **INVEST** to **56767**,
email hsbcmf@hsbc.co.in or call us at the numbers below

| HSBC Mutual Fund Investor Service Centres | | | |
|---|---|---|---|
| Andhra Pradesh | 09849677319 | MP / Chattisgarh | 09893477319 |
| Bihar | 09931397319 | Maharashtra / Goa | 09960077321 |
| Delhi | 011 41490719 | Punjab | 09867937319 |
| Gujarat | 09898377319 | Rajasthan | 09928037319 |
| Gurgaon / Noida | 09910797319 | Tamil Nadu | 09894477319 |
| Karnataka | 09980927319 | Uttar Pradesh | 09936797319 |
| Kerala | 09895477319 | West Bengal | 033 22139919 |

## Statutory details and risk factors

Investors may obtain Offer Documents and Key Information Memorandums along with application forms from the office of HSBC Mutual Fund, 314 D. N. Road, Fort, Mumbai 400 001. Tel: 022-6666 8819. **Statutory Details:** HSBC Mutual Fund has been set up as a trust by HSBC Securities and Capital Markets (India) Private Limited (liability restricted to the corpus of Rs 1 lakh). The Sponsor/associates of the Sponsor/Asset Management Company (AMC) are not responsible or liable for any loss or shortfall resulting from the operation of the Schemes. The Trustees of HSBC Mutual Fund have appointed HSBC Asset Management (India) Private Limited as the Investment Manager. **Risk Factors:** All investments in mutual funds and securities are subject to market risks and the Net Asset Value (NAV) of the Scheme(s) may go up or down depending on the factors and forces affecting the securities markets. There can be no assurance that the objectives of the Scheme(s) will be achieved. Past performance of the Sponsor, AMC, Mutual Fund or any associates of the Sponsor/AMC does not indicate the future performance of the Scheme(s) of the Mutual Fund. HSBC Equity Fund (HEF), HSBC India Opportunities Fund (HIOF), HSBC Midcap Equity Fund (HMEF), HSBC Advantage India Fund (HAIF), HSBC Tax Saver Equity Fund (HTSF), HSBC Unique Opportunities Fund (HUOF), HSBC Dynamic Fund (HDF), HSBC Emerging Markets Fund (HEMF) and HSBC Small Cap Fund (HSCF) are the names of the Schemes and do not in any manner indicate the quality of the Schemes or their future prospects or returns. **Scheme Classification: HEF** (an open-ended diversified equity Scheme) aims to generate long term capital growth from an actively managed portfolio of equity and equity related securities. **HIOF** (an open-ended flexi-cap equity Scheme) seeks long term capital growth through investments across all market capitalisations, including small, mid and large cap stocks. It aims to be predominantly invested in equity & equity related securities. However it could move a significant portion of its assets towards fixed income securities if the fund manager becomes negative on equity markets. **HMEF** (an open-ended diversified equity Scheme) seeks to generate long term capital growth from an actively managed portfolio of equity and equity related securities primarily being midcap stocks. However, it could move a portion of its assets towards fixed income securities if the fund manager becomes negative on the Indian equity markets. **HAIF** (an open-ended flexi-theme equity Scheme) seeks to generate long term capital growth from an actively managed portfolio of equity and equity related securities by investing primarily in sectors, areas and themes that play an important role in, and/or benefit from India's progress, reform process and economic development. **HTSF** (an open ended Equity Linked Savings Scheme) seeks to provide long term capital appreciation by investing in a diversified portfolio of equity & equity related instruments of companies across various sectors and industries, with no capitalisation bias. The Fund may also invest in fixed income securities. **HUOF** (a 3 year close ended equity scheme with automatic conversion into an open ended equity scheme at the end of 3 years from the date of allotment of units) seeks to provide long-term capital growth from a diversified portfolio of equity and equity related instruments. The focus would be to invest in stocks of companies facing "out-of-ordinary" conditions. **HDF** (an open-ended Scheme) seeks to provide long term capital appreciation by allocating funds in equity and equity related instruments. It also has the flexibility to move, entirely if required, into debt & money market instruments in times when the view on equity markets seems negative. **HEMF** (an open ended Scheme) seeks to provide long term capital appreciation by investing in India and in the emerging markets, in equity and equity related instruments, share classes and units/securities issued by overseas mutual funds or unit trusts. The fund may also invest a limited proportion in debt and money market instruments. **HSCF** (a three year close-ended equity scheme with automatic conversion into open ended equity scheme at the end of three years from the date of allotment of Units) seeks to provide long-term capital appreciation primarily from a diversified portfolio of equity and equity related instruments of small cap companies. **Terms of Issue:** Units of the Scheme(s) are being offered at NAV based prices, subject to prevailing loads. The AMC calculates and publishes NAVs and offers for sale, redemption and switch outs, units of the Scheme(s) on all Business Days, at the Applicable NAV for all Schemes. **Load Structure (includes SIP/STP):** HEF, HIOF, HMEF, HAIF – Entry – 2.25% for investments/switch ins* < Rs 5 crores, otherwise Nil. Exit – 1% for< Rs 5 crores, if redeemed/switched out* within 1 year from date of investment, otherwise Nil. HTSF - Entry - 2.25% for investments/switch ins* < Rs 1 crore, otherwise Nil. Exit – Nil. HUOF - During close ended period - Exit - Nil. However the investor will have to bear the proportionate unamortized initial issue expenses for exiting during the close ended period. SIP/SEP/STP in HUOF available after conversion to an open-ended scheme. In case of HDF & HEMF - Entry - 2.50% for investments/switch in* below Rs 5 crores, otherwise Nil. Exit - 1% for investment below Rs. 5 crores, if redeemed/switched out* within 1 year from the date of allotment/investment, otherwise Nil. In case of HSCF during the close ended period – Entry – Nil; Exit# – If the investments are redeemed/ switched out within: 1 year – 2%; 2 years – 1.5% and 3 years – 1%. #Balance proportionate unamortized NFO expenses to be recovered in case of exit within close-ended period. Upon conversion into open ended scheme - Entry - For investments/switch ins below Rs. 5 Crores - 2.25%, otherwise Nil; Exit – Nil. *No load in case of switches between equity Schemes of HSBC Mutual Fund. No load in case of investments by Fund-of-Funds (except HDF, HEMF). The entry/exit load set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively. **Mutual Fund investments are subject to market risks. Read the Offer Document carefully before investing.**

July 2008

*Issued by HSBC Asset Management (India) Private Limited.*